

## Alaska State lottery

Lotteries have a long history of being used as a tool of government finance in our country. Jamestown, the first British colony in the New World, was funded in part by lottery proceeds. Lotteries helped fund the Colonial Army, provided start-up money for hundreds of institutions including Harvard, Princeton, and Yale universities, and offered a method for businesses and governments to raise capital before the U.S. developed a sophisticated banking system. However, during the 1800's lottery corruption grew and the criminal elements began to outweigh the benefit of lotteries. In 1905 the last public lottery, sponsored by the State of Louisiana, was shut down, ending an important chapter in American history (<http://www.naspl.org>).

After nearly 60 years, a new era of government-sponsored lotteries began in 1963 when New Hampshire authorized a state lottery. As of 2013, Alaska was one of only 6 states that do not have state lotteries. Of the other states, two has significant casino gaming (Mississippi and Nevada) and three have a strong history of religious or moral opposition to any form of gambling (Utah, Hawaii and Alabama). While it was once the norm, Alaska is now clearly in the minority of states by not having a state lottery.

An Alaska lottery would probably offer games that fit into one or more of three categories:

- *Instant ticket lotteries:* Players would purchase preprinted scratch-off or pull-tab tickets, similar to those currently used in Alaska's charitable gaming activities. Raffle-type drawing would also be classified under this category.
- *Numbers lotteries:* This is the type of game most commonly associated with state lotteries. Players pick from a set of numbers, and win if they match enough numbers to those picked in a subsequent official drawing. "Pick 3", "Lotto", "MegaMillions" and "PowerBall" are all examples of numbers lotteries.
- *Video lotteries:* This type of lottery uses a "video lottery terminal" (VLT), similar to a slot machine, to play electronic games with instant payout.

Generally, a state-sponsored entity oversees the lottery (in 2004, 65% of lotteries were administered by a lottery commission or board, 15% were administered by a lottery corporation, and 20% were administered directly by a state agency – DOR 02/25/04), but lottery sales are made at private retail locations such as grocery stores, convenience stores and newsstands. Major expenses for the lottery agency include prize payouts, retailer commissions, marketing, and other administrative and operational expenses. Even with these expenses, every lottery in the U.S. was profitable in the 2013 fiscal year. Lottery income (including VLTs) in FY 2013 varied from \$8.3 million in North Dakota to \$3.1 billion in New York. On a per capita basis, income ranged from \$11.5 per capita in Montana to \$360.4 per person in Rhode Island.

Given the geographical distribution of Alaska's population, and the relatively small population base, it could be argued that income would come in on the low end of the range in other states. However, this may be offset by the lack of access to other gaming opportunities, such as casinos and card rooms. The following table presents select

financial statistics for lotteries in 10 other low-population states. These states have relatively low populations but the per capita lottery income compared to the national average varies considerably with 6 of the 9 income per capita statistics below the average and 3 above, due primarily to income from video lotteries.

FY 13 U.S. Census population and lottery data of 10 least populated states (all figures except PC income is in thousands)

State	Revenue	Prizes	Admin & Ops costs	Proceeds Available	Population	Per Capita Income
Wyoming*	\$ 15,000	N/A	N/A	N/A	583,223	N/A
Vermont	\$ 96,067	\$ 64,556	\$ 8,619	\$ 22,892	626,855	\$36.52
North Dakota	\$ 26,603	\$ 14,217	\$ 4,101	\$ 8,285	723,857	\$11.45
South Dakota	\$ 146,536	\$ 32,418	\$ 7,767	\$ 106,351	845,510	\$125.78
Delaware	\$ 452,962	\$ 99,264	\$ 44,509	\$ 309,189	925,240	\$334.17
Montana	\$ 60,188	\$ 32,176	\$ 7,991	\$ 20,021	1,014,864	\$19.73
Rhode Island	\$ 539,026	\$ 153,206	\$ 6,204	\$ 379,616	1,053,354	\$360.39
New Hampshire	\$ 263,794	\$ 173,357	\$ 15,961	\$ 74,476	1,322,616	\$56.31
Maine	\$ 212,886	\$ 143,938	\$ 14,880	\$ 54,068	1,328,702	\$40.69
Idaho	\$ 182,232	\$ 122,888	\$ 11,167	\$ 48,177	1,612,843	\$29.87

All US States	\$ 62,383,863	\$ 38,792,861	\$ 3,208,968	\$ 20,382,034	316,497,531	\$64.40
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\*estimated based on first few months of sales (Washington Times 2014 article)

The most recent proposal for a state lottery in Alaska came in 2003, when Senator Robin Taylor, a Wrangell Republican and gambling supporter, introduced Senate Bill 178 (there was also HB 240 which would have authorized a twice-yearly lottery). Sen. Taylor had previously introduced similar legislation in 1999 (BASIS). Sen. Taylor proposed to create a corporation within the Department of Revenue that would oversee a state lottery. The lottery corporation would have operated under management of a board of directors that set policies and regulations for the lottery, including helping to determine the number and type of games allowed. Revenue from the lottery would have been directed to a special lottery education account, which the legislature could use to support education in the state. While Sen. Taylor's proposal was not enacted, it does provide a starting point for future lottery proposals, either in a future legislature or through the referendum process.

How much could an Alaska lottery bring in? Wyoming is the most recent entrant into the lottery market. It opened August 2014 with Powerball and Mega Millions but is already adding 2 more games that would be Wyoming Draw games. The first, Cowboy Draw starts March 15, 2015. Wyoming is estimating between \$13-17 million in revenues in its first year. Wyoming's model may be a good model to emulate. Alaska could start off with Powerball and Mega Millions and then create its own unique Alaska lottery game. Although Alaska's population is small compared to other states and spread across a large

geographic area, there is a large tourism population (cruise ship passengers) and high migrant worker (North Slope) population to market to that could elevate income levels. Using the lowest per capita income of North Dakota of \$11.45 (the state is unique among all U.S. lotteries, as it is only able to offer multistate draw games as instant tickets and North Dakota-only games are prohibited) and national averages of prizes (62%) and Operating Costs (5%), Alaska could generate annual proceeds of \$8 million. The addition of VLTs could have a significant impact on the amount of income that could be generated for the State.